

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

| | | | |
|---|---------------------------------|--|-----------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name Westwood Community School District | County Wayne |
| Audit Date June 30, 2005 | Opinion Date August 23, 2005 | Date Accountant Report Submitted to State: November 4, 2005 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

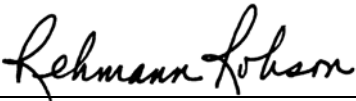
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | X | | |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | X | | |

| | | | |
|---|-----------------|-------------|--------------|
| Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA | | | |
| Street Address 5800 GRATIOT, PO BOX 2025 | City SAGINAW | State MI | Zip 48605 |
| Accountant Signature  | | | |



**FINANCIAL STATEMENTS
and SINGLE AUDIT**

For the Year Ended June 30, 2005



REHMANN ROBSON

Certified Public Accountants

WESTWOOD COMMUNITY SCHOOL DISTRICT

For the Year Ended June 30, 2005

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

August 23, 2005

Board of Education
Westwood Community School District
Dearborn Heights, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **WESTWOOD COMMUNITY SCHOOL DISTRICT**, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of **Westwood Community School District's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of **Westwood Community School District** as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2005, on our consideration of **Westwood Community School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise ***Westwood Community School District's*** basic financial statements. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of ***Westwood Community School District***. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of ***Westwood Community School District***. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION and ANALYSIS

WESTWOOD COMMUNITY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

For Fiscal Year Ending June 30, 2005

This section of the Westwood Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 2000. Certain comparative information between the current year and the prior year is required and is presented in the Management's Discussion and Analysis.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Westwood Community School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The *fund financial statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – such as the General Fund, and Sinking Fund, with all other funds presented in one column as Other Governmental Funds. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Below shows how the various parts of the annual report are arranged and related to one another:

Organization of Westwood Community School District's Annual Financial Report

Management's Discussion & Analysis (MD&A)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Other Supplemental Information

Reporting the School District as a Whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, is the School District better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's *net assets*- the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the School District's financial health, or *financial position*. Over time, *increases or decreases* in the School District's net assets - as reported in the Statement of Activities - are one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses is the School District's *operating results*. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the *overall health* of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, athletics, food services, and capital improvement projects. Property taxes, sales taxes, foundation allowance revenue, and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

The School District's fund financial statements provide detailed information about the most *significant funds* - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (like the Food Service Fund) or to show that it is meeting legal responsibilities for using certain taxes, and other money (like Sinking Fund taxes received from the local taxing entities for use on capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or *fiduciary* for its student activity funds. All of the School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2005 and 2004:

TABLE 1

| | <u>Governmental Activities (in millions)</u> | |
|--|---|----------------------|
| | <u>2005</u> | <u>2004</u> |
| ASSETS | | |
| Current assets | \$10.5 | \$ 8.7 |
| Capital assets – Net of accumulated depreciation | <u>4.9</u> | <u>4.3</u> |
| Total assets | <u>\$15.4</u> | <u>\$13.0</u> |
| LIABILITIES | | |
| Current liabilities | \$ 5.5 | \$ 6.0 |
| Long-term liabilities | <u>2.7</u> | <u>2.4</u> |
| Total liabilities | <u>\$ 8.2</u> | <u>\$ 8.4</u> |
| NET ASSETS | | |
| Invested in capital assets – net of related debt | \$ 4.4 | \$ 3.2 |
| Restricted | 1.5 | - |
| Unrestricted | <u>1.3</u> | <u>1.4</u> |
| Total net assets | <u>\$ 7.2</u> | <u>\$ 4.6</u> |

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$7.2 million on June 30, 2005. Capital assets, net of related debt totaling (\$4.4 million) compares the original costs, less depreciation of the School District's capital assets to long-term debt. The remaining amount of net assets \$2.8 million were restricted and unrestricted.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year ending 2005. The fiscal year 2005 revenue and expenses are also compared to fiscal year 2004.

TABLE 2

| | Governmental Activities (in millions) | |
|--|--|-----------------------|
| | <u>2005</u> | <u>2004</u> |
| REVENUES | | |
| General revenues: | | |
| Property taxes levied for general purposes | \$ 1.88 | \$ 1.90 |
| Property taxes levied for capital projects | .70 | .69 |
| Federal and state aid not restricted for specific purposes | 14.14 | 14.82 |
| Intergovernmental | - | .19 |
| Other | .11 | .10 |
| Program revenue: | | |
| Grants and categoricals | 6.52 | 4.70 |
| Charges for services | <u>.88</u> | <u>.50</u> |
| Total revenue | <u>24.23</u> | <u>22.90</u> |
| FUNCTION/PROGRAM EXPENSES | | |
| Instruction | 12.86 | 11.90 |
| Support services | 7.79 | 7.40 |
| Food services | 1.16 | 1.10 |
| Athletics | .25 | .16 |
| Community services | .10 | - |
| Intergovernmental | .12 | - |
| Interest on long-term debt | .03 | .05 |
| Depreciation (unallocated) | <u>.34</u> | <u>.30</u> |
| Total expenses | <u>22.65</u> | <u>20.91</u> |
| Increase in net assets | <u>\$ 1.58</u> | <u>\$ 1.99</u> |

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$22.65 million. Certain activities were partially funded from those who benefited from the programs of \$.88 million or by other governments and organizations that subsidized certain programs with grants and categoricals of \$6.52 million. The District paid for the remaining "public benefit" portion of our governmental activities with \$2.58 million in taxes, \$14.14 million accumulated in federal and state aid not restricted for specific purposes and other revenues, like interest and general entitlements and unrestricted interest and investment earnings of \$.11 million.

The School District experienced an increase in net assets of \$1.58 million. Key reasons for the change in net assets were capital projects capitalizable expenditures. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 21.

As discussed above, the net costs show the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help control and manage money for particular purposes. Looking at funds helps you consider whether the School District is being accountable for the resources taxpayers and others provide, but may also give you more insight into the School District's overall financial health.

As the School District completed this year, our governmental funds reported a combined fund balance of \$4.1 million, which is an increase of \$0.9 million from last year. This is due mainly to the following:

- The General Fund had an increase in the total fund balance of \$677,713. Because of aggressive recruitment of out-of-district students, the District's population increased by approximately 55 students. This larger student count generated more than \$400,000 in additional state school aid revenue.

Other revenue increases included \$112,000 in tax receipts for taxes previously written off in prior years, and \$43,500 in increased investment earnings.

Increased expenses attributable to incremental increases in salary along with higher retirement (1.88% increase), and insurance costs were offset by several support positions not being filled or eliminated.

- The Capital Projects/Sinking Fund had an increase of \$458,362. Tax revenue to pay for anticipated construction projects was collected by June 30, 2005, although the capital projects had not been bid by that date. This resulted in the increased fund balance.
- Other Governmental Funds which includes the Cafeteria Fund (food services) and the Capital Projects Fund (Building and Site Fund) had a decrease of \$148,498. The Cafeteria Fund portion of the decrease (\$100,101) resulted from increased salary, insurance and food costs as well as less State and Federal revenue generated because of a reduction in meal counts. The decrease (\$48,397) in the Capital Projects Fund (Building and Site Fund) was associated with costs of abating asbestos as part of a building renovation project.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was actually adopted in May, 2005. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

There were revisions made to the 2004-2005 general fund original budget. Budgeted revenues were increased \$1,235,145 to reflect changes in several areas. Revenues from local sources were increased \$431,314 to include additional taxes generated from property valuation updates from the treasurers and increased revenues from the e-rate program. Budgeted revenues from state sources increased \$747,298 due primarily to an increase in state aid generated by the increase in the student population and to an increase in a restricted-use categorical, the At-Risk program. Federal grant revenue of \$56,533 unknown or not included in the original budget was made a part of the revised budget.

Budgeted expenditures and other financing uses increased \$634,292. In basic instruction, added needs and pupil service functions, this increase was based on salary and benefit cost projections for several additional teachers and support staff members. The budget revision showed decreases in instructional staff and general administration of almost \$200,000 due to the elimination of some support staff and a reduction of some contracted services. The revised expenditure projection for the business service function showed a decrease in unemployment expenses based on actual cost. The operations and maintenance and pupil transportation functions budgets were reduced because of lower projected salary and benefit costs of about \$110,000.

There were variations between the 2004-2005 General Fund final budget and the actual results. Actual revenues were \$20,428 over the final revised budget amounts. Local Sources – Other included \$195,175 of revenue paid directly to vendors through the e-rate program. Previously, these direct payments made by outside agencies were not recorded in the District's financial records. The revenues were under budget from several other revenue sources because of decreased program activity.

Actual expenditures and other financing uses were \$384,456 under the final revised budget amounts. In the basic programs, added needs, pupil services and operations and maintenance functions, actual expenses were under budget because of less than expected substitute employees costs, termination pay and supply costs. Less than anticipated marketing consultant costs, telephone and postage expenses accounted for the difference in general administration and the business office. The actual costs recorded for capital outlay varied from the budget amounts primarily since these included payments made by outside sources on behalf of the District directly to vendors. Such payments were previously not recorded in the District's financial records. The actual amount for other financing uses-transfers out to other funds exceeded the final amended budget because of additional transfers to the child care and athletic programs.

Capital Asset and Debt Administration

Capital Assets

The District's net investments in capital assets increased during the year by \$569,826 which is summarized below:

| | Governmental Activities | |
|--------------------------|--------------------------------|---------------------------|
| | 2005 | 2004 |
| Land | \$ 283,079 | \$ 283,079 |
| Construction in progress | 66,000 | - |
| Building improvements | 3,579,697 | 3,327,000 |
| Buses and other vehicles | 170,467 | 4,479 |
| Furniture and equipment | <u>744,713</u> | <u>659,572</u> |
| | <u>\$4,843,956</u> | <u>\$4,274,130</u> |

In 1997, Westwood Community School District voters approved a 3-mill Sinking Fund levy for 10 years. The property tax is levied for acquiring new school sites, buildings, equipment and for major remodeling and repairs. During the 2004-2005 school year, major additions to capital assets included elementary school office remodeling, video/sound system and data network installation. Two new school buses were purchased. Also, additional playground equipment for the elementary school sites was acquired. Roof renovation projects at two elementary school buildings were approximately 60% complete. They are the \$66,000 recorded as construction in progress as of June 30.

Debt

At the end of this year, the School District had \$.96 million in bonds outstanding versus \$1.1 million last year. Those bonds consisted of the following:

| | Governmental Activities | |
|---|--------------------------------|---------------------------|
| | 2005 | 2004 |
| Energy conservation bonds | \$ 370,000 | \$ 455,000 |
| Durant School improvement bonds | 563,033 | 563,033 |
| Band Uniform Installment Purchase Agreement | <u>29,378</u> | <u>39,171</u> |
| | <u>\$ 962,411</u> | <u>\$1,057,204</u> |

Other obligations include accrued vacation pay and sick leave payable to employees. There is more detailed information about our long-term liabilities in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The labor contract with the teachers' union expired on August 31, 2002 and still remains unsettled. Representatives of the union and the District met a number of times with a state appointed mediator during the 2004-05 school year to try to resolve remaining issues. On April 14, 2005, both sides presented their positions to a state labor fact finder.

The fact finder's report was received on June 23, 2005. For the first economic issue that remained unsettled, the fact finder recommended a 6% increase in teachers' wages for the 2004-2005 school year and 1.5% for first semester and an additional 1.5% for second semester for the 2005-2006 year. Regarding the second economic issue, the fact finder recommended that effective September 1, 2005, teachers should move from a traditional health insurance plan to a PPO program as a way to gain control of the highly escalating cost of health care. On the third economic issue, severance pay, the fact finder felt that effective July 1, 2005, a limit should be placed on the number of personal leave days for which a teacher could be paid at the time of severance.

While this report is not binding on either party, hopefully, it will be an impetus for an agreement that is supported by both sides.

- The rates paid for retirement contributions and for employee health coverage are also factors that will impact the District in the years ahead. The retirement contribution rate is scheduled to increase by 1.47% to 16.34% on October 1, 2005. The premium for employee health coverage will increase 8% – 12% in the 2005-2006 school year.
- The District offered a severance and resignation incentive plan to the teachers and administrators. The plan was accepted by six teachers who will each receive \$50,000 paid into a 403(b) plan in equal amounts for the next five years.
- A very important factor affecting the budget remains our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. For the 2006 fiscal year, the blended count is 25% and 75% of the February 2005 and September 2005 student counts, respectively. The 2005-2006 budget as adopted in June 2005 was based on an estimate of the number of students who will enroll in September, 2005. Approximately 63% of total revenues are from the foundation allowance. The District once again plans to actively recruit non-resident students to enroll in the District through the Schools of Choice program. However, the actual number of such students remains uncertain. After the fall count is final, the budget will require a budget amendment to reflect the actual number of students enrolled.
- After three years of flat or decreasing state per pupil revenues, both the Governor and Legislature have expressed their desire to increase the pupil foundation allowance for the 2005-2006 school year by \$175 per pupil. For Westwood Community School District, this could mean an increase of approximately \$400,000 in state aid revenue. However, this increase must be netted against the increase in the retirement rate, health insurance premiums, and fuel/utility costs.

Since the District's revenue is very dependent on State funding and the economic health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. With the continued downward trend in the State's economy including the bankruptcy of some major firms, the state of school finance continues to remain precarious. Rising costs coupled with losses in state revenue and budget cuts have left the public education system reeling under the burden of providing basic services to students and families without the funding required to do the job. However, our elected officials and administration monitor the budget very closely and endeavor to balance revenue and expenditures to meet their fiscal responsibilities to their taxpayers, citizens, investors, and creditors.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Westwood Community School District, 3335 S. Beech Daly, Dearborn Heights, Michigan 48125.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Westwood Community School District
Statement of Net Assets
June 30, 2005

| | <u>Governmental Activities</u> |
|---|---|
| Assets | |
| Cash and cash equivalents | \$ 39,587 |
| Investments | 5,452,006 |
| Receivables, net | 5,012,555 |
| Other assets | 15,506 |
| Capital assets not being depreciated | 349,079 |
| Capital assets being depreciated, net | <u>4,494,877</u> |
| Total assets | <u>15,363,610</u> |
| Liabilities | |
| Accounts payable and accrued liabilities | 2,334,704 |
| Notes payable | 2,000,000 |
| Unearned revenue | 1,166,285 |
| Long-term debt: | |
| Due within one year | 417,451 |
| Due in more than one year | <u>2,242,497</u> |
| Total liabilities | <u>8,160,937</u> |
| Net assets | |
| Invested in capital assets, net of related debt | 4,444,578 |
| Restricted for: | |
| Capital projects | 1,415,876 |
| Other purposes | 57,351 |
| Unrestricted | <u>1,284,868</u> |
| Total net assets | <u><u>\$ 7,202,673</u></u> |

The accompanying notes are an integral part of these financial statements.

Westwood Community School District
Statement of Activities
For the Year Ended June 30, 2005

| <u>Functions / Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Change in Net Assets</u> |
|--|------------------------|--|--|--|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Governmental activities: | | | | | |
| Instruction | \$ 12,863,968 | \$ 531,785 | \$ 5,497,037 | \$ - | \$ (6,835,146) |
| Supporting services | 7,796,409 | - | 52,053 | 248,375 | (7,495,981) |
| Food service | 1,158,500 | 329,867 | 727,655 | - | (100,978) |
| Athletics | 246,543 | 16,324 | - | - | (230,219) |
| Community services | 95,014 | - | - | - | (95,014) |
| Intergovernmental | 123,076 | - | - | - | (123,076) |
| Interest on long-term debt | 27,576 | - | - | - | (27,576) |
| Unallocated depreciation expense | 341,259 | - | - | - | (341,259) |
| Total | \$ 22,652,345 | \$ 877,976 | \$ 6,276,745 | \$ 248,375 | (15,249,249) |
| General revenues: | | | | | |
| Property taxes levied for general purposes | | | | | 1,877,927 |
| Property taxes levied for debt service | | | | | 702,048 |
| Grants and contributions not restricted for specific purposes | | | | | 14,140,878 |
| Unrestricted interest and investment earnings | | | | | 103,388 |
| Other | | | | | 5,443 |
| Total general revenues | | | | | 16,829,684 |
| Change in net assets | | | | | 1,580,435 |
| Net assets, beginning of year, as restated | | | | | 5,622,238 |
| Net assets, end of year | | | | | \$ 7,202,673 |

The accompanying notes are an integral part of these financial statements.

Westwood Community School District
Balance Sheet
Governmental Funds
June 30, 2005

| | <u>General</u> | <u>Capital Projects Sinking Fund</u> | <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|---|---------------------|--|-------------------------------|---|
| <u>ASSETS</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 39,387 | \$ - | \$ 200 | \$ 39,587 |
| Investments | 4,029,059 | 1,296,979 | 125,968 | 5,452,006 |
| Interest receivable | 12,248 | - | - | 12,248 |
| Taxes receivable | 306,651 | 147,851 | - | 454,502 |
| Due from other governments | 3,949,433 | - | 596,372 | 4,545,805 |
| Due from other funds | 23,511 | - | 13,423 | 36,934 |
| Inventory | - | - | 9,362 | 9,362 |
| Prepays | 6,144 | - | - | 6,144 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>TOTAL ASSETS</u> | <u>\$ 8,366,433</u> | <u>\$ 1,444,830</u> | <u>\$ 745,325</u> | <u>\$ 10,556,588</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 683,872 | \$ 26,212 | \$ 4,731 | \$ 714,815 |
| Accrued payroll and related liabilities | 1,595,500 | - | 19,564 | 1,615,064 |
| Due to other funds | - | 5 | 36,929 | 36,934 |
| Notes payable | 2,000,000 | - | - | 2,000,000 |
| Deferred revenue | 1,470,180 | 66,454 | 563,033 | 2,099,667 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | 5,749,552 | 92,671 | 624,257 | 6,466,480 |
| Fund balances | | | | |
| Reserved for inventories and prepaids | 6,144 | - | 9,362 | 15,506 |
| Designated for compensated absences | 275,000 | - | - | 275,000 |
| Unreserved: | | | | |
| Undesignated | 2,335,737 | 1,352,159 | - | 3,687,896 |
| Undesignated, reported in non-major | | | | |
| Special revenue funds | - | - | 47,989 | 47,989 |
| Capital projects funds | - | - | 63,717 | 63,717 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | 2,616,881 | 1,352,159 | 121,068 | 4,090,108 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>TOTAL LIABILITIES AND FUND BALANCES</u> | <u>\$ 8,366,433</u> | <u>\$ 1,444,830</u> | <u>\$ 745,325</u> | <u>\$ 10,556,588</u> |

The accompanying notes are an integral part of these financial statements.

Westwood Community School District
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2005

| | |
|--|--------------|
| Fund balances - total governmental funds | \$ 4,090,108 |
|--|--------------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

| | |
|---|-------------|
| Add: capital assets not being depreciated | 349,079 |
| Add: capital assets, being depreciated | 10,871,276 |
| Deduct: accumulated depreciation | (6,376,399) |

Some revenues have been earned by the district but will not be received soon enough to pay for the current year's expenditures, and therefore are not recognized in the governmental funds.

| | |
|-------------------------------------|---------|
| Add: deferred long-term receivables | 933,382 |
|-------------------------------------|---------|

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

| | |
|---|-------------|
| Deduct: bonds payable | (962,411) |
| Deduct: accrued interest on bonds payable | (4,825) |
| Deduct: compensated absences | (1,697,537) |

| | |
|---------------------------------------|----------------------------|
| Net assets of governmental activities | <u><u>\$ 7,202,673</u></u> |
|---------------------------------------|----------------------------|

The accompanying notes are an integral part of these financial statements.

Westwood Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

| | <u>General</u> | <u>Capital Projects Sinking Fund</u> | <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|----------------------------|--|-------------------------------|---|
| Revenues | | | | |
| Local sources: | | | | |
| Property taxes | \$ 1,877,927 | \$ 702,048 | \$ - | \$ 2,579,975 |
| Food sales | - | - | 111,923 | 111,923 |
| Athletic admissions | - | - | 16,324 | 16,324 |
| Interest | 83,454 | 14,766 | 5,168 | 103,388 |
| Other | 919,069 | - | 217,944 | 1,137,013 |
| State sources: | | | | |
| Unrestricted | 14,140,878 | - | - | 14,140,878 |
| Restricted | 3,619,282 | - | 33,743 | 3,653,025 |
| Federal sources | 1,884,472 | - | 693,912 | 2,578,384 |
| Total revenues | <u>22,525,082</u> | <u>716,814</u> | <u>1,079,014</u> | <u>24,320,910</u> |
| Expenditures | | | | |
| Instruction | 12,728,755 | - | - | 12,728,755 |
| Supporting services | 8,248,446 | - | - | 8,248,446 |
| Community services | 96,467 | - | - | 96,467 |
| Athletics | - | - | 246,707 | 246,707 |
| Food service | - | - | 1,159,011 | 1,159,011 |
| Intergovernmental | 123,076 | - | - | 123,076 |
| Debt service: | | | | |
| Principal | - | - | 94,793 | 94,793 |
| Interest and fiscal charges | - | - | 27,074 | 27,074 |
| Capital projects | <u>298,375</u> | <u>258,452</u> | <u>52,177</u> | <u>609,004</u> |
| Total expenditures | <u>21,495,119</u> | <u>258,452</u> | <u>1,579,762</u> | <u>23,333,333</u> |
| Revenues over (under) expenditures | <u>1,029,963</u> | <u>458,362</u> | <u>(500,748)</u> | <u>987,577</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 10,757 | - | 352,250 | 363,007 |
| Transfers out | <u>(363,007)</u> | <u>-</u> | <u>-</u> | <u>(363,007)</u> |
| Total other financing sources (uses) | <u>(352,250)</u> | <u>-</u> | <u>352,250</u> | <u>-</u> |
| Net change in fund balances | 677,713 | 458,362 | (148,498) | 987,577 |
| Fund balances, beginning of year | <u>1,939,168</u> | <u>893,797</u> | <u>269,566</u> | <u>3,102,531</u> |
| Fund balances, end of year | <u><u>\$ 2,616,881</u></u> | <u><u>\$ 1,352,159</u></u> | <u><u>\$ 121,068</u></u> | <u><u>\$ 4,090,108</u></u> |

The accompanying notes are an integral part of these financial statements.

Westwood Community School District
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2005

| | |
|--|------------|
| Net change in fund balances - total governmental funds | \$ 987,577 |
|--|------------|

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|------------------------------|-----------|
| Add: capital outlays | 911,085 |
| Deduct: depreciation expense | (341,259) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

| | |
|---|----------|
| Deduct: collections on deferred long-term receivables | (88,130) |
|---|----------|

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | |
|--|--------|
| Add: principal payments on long-term liabilities | 94,793 |
|--|--------|

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and in the statement of activities when interest accrues.

| | |
|--|-------|
| Deduct: accrued interest on long-term debt | (502) |
|--|-------|

Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds.

| | |
|---|--------|
| Add: decrease in the accrual for compensated absences | 16,871 |
|---|--------|

| | |
|---|---|
| Change in net assets of governmental activities | <div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 1,580,435</div> |
|---|---|

The accompanying notes are an integral part of these financial statements.

Westwood Community School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2005

| | Budgeted Amounts | | | Actual Over (Under) Final Budget |
|---------------------------------------|-------------------------|---------------------|---------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Local sources: | | | | |
| Property taxes | \$ 1,725,570 | \$ 1,945,256 | \$ 1,877,927 | \$ (67,329) |
| Interest | 21,500 | 70,000 | 83,454 | 13,454 |
| Other | 558,553 | 721,681 | 919,069 | 197,388 |
| State sources: | | | | |
| Unrestricted | 13,916,283 | 14,209,201 | 14,140,878 | (68,323) |
| Restricted | 3,126,347 | 3,580,727 | 3,619,282 | 38,555 |
| Federal sources | 1,921,256 | 1,977,789 | 1,884,472 | (93,317) |
| Total revenues | 21,269,509 | 22,504,654 | 22,525,082 | 20,428 |
| Expenditures | | | | |
| Instruction: | | | | |
| Basic programs | 9,215,497 | 10,046,429 | 9,797,050 | (249,379) |
| Added needs | 3,024,704 | 3,066,104 | 2,907,013 | (159,091) |
| Adult/continuing education | 3,201 | 30,716 | 24,692 | (6,024) |
| Supporting services: | | | | |
| Pupil services | 1,748,713 | 1,624,883 | 1,568,994 | (55,889) |
| Instructional staff | 717,529 | 743,641 | 746,562 | 2,921 |
| General administration | 579,380 | 535,955 | 503,627 | (32,328) |
| School administration | 1,247,665 | 1,243,909 | 1,230,593 | (13,316) |
| Business office | 328,734 | 327,447 | 311,717 | (15,730) |
| Operations and maintenance | 2,569,050 | 2,476,252 | 2,438,127 | (38,125) |
| Pupil transportation | 662,051 | 644,438 | 622,512 | (21,926) |
| Central services | 911,244 | 865,975 | 826,314 | (39,661) |
| Community services | 126,375 | 110,213 | 96,467 | (13,746) |
| Intergovernmental | 120,000 | 131,580 | 123,076 | (8,504) |
| Capital outlay | 50,000 | 84,443 | 298,375 | 213,932 |
| Total expenditures | 21,304,143 | 21,931,985 | 21,495,119 | (436,866) |
| Revenues over (under) expenditures | (34,634) | 572,669 | 1,029,963 | 457,294 |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | 10,757 | 10,757 |
| Transfers out | (293,390) | (299,840) | (363,007) | 63,167 |
| Total other financing sources | (293,390) | (299,840) | (352,250) | 52,410 |
| Net change in fund balance | (328,024) | 272,829 | 677,713 | 404,884 |
| Fund balance, beginning of year | 1,939,168 | 1,939,168 | 1,939,168 | - |
| Fund balance, end of year | \$ 1,611,144 | \$ 2,211,997 | \$ 2,616,881 | \$ 404,884 |

The accompanying notes are an integral part of these financial statements.

Westwood Community School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2005

Assets

| | |
|----------------------------|-----------------------------|
| Cash and cash equivalents | \$ 80,536 |
| Investments | 14,694 |
| Due from other governments | <u>2,401</u> |
| Total assets | <u><u>\$ 97,631</u></u> |

Liabilities

| | |
|---|-----------------------------|
| Accounts payable | \$ 3,136 |
| Accrued payroll and related liabilities | <u>94,495</u> |
| Total liabilities | <u><u>\$ 97,631</u></u> |

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Westwood Community School District (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no business-type activities for the year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects sinking fund* accounts for the acquisition of capital assets or construction of major capital projects, which are primarily funded by property taxes (sinking fund millage) and transfers from other funds.

Additionally the District reports the following funds:

The *food service fund* accounts for the activities of the food service operation at the various cafeteria locations. The District charges users primarily for the direct costs of this program, which is subsidized by state and federal grants.

The *athletics fund* accounts for the activities of the athletic operations of the District. The District charges users primarily for attending events, and is subsidized by the general fund.

The *debt service* funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The *building and site capital projects fund* accounts for the acquisition of capital assets or construction of major capital projects, which are primarily funded by settlements from asbestos abatement lawsuits.

The *agency funds* account for assets held for student activity groups and organizations and are custodial in nature.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The effect of interfund activity has been eliminated from the government-wide financial statements.

D. Assets, liabilities and equity

1. Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Property tax and other receivables are shown net of an allowance for uncollectible amounts. Properties are assessed as of December 31, and the related property taxes are levied and become a lien on July 1 and December 1 for 100 percent of the taxes that are due August 31 and February 28, respectively. Unpaid taxes become delinquent March 1 of the following year and are added to the county delinquent tax rolls.

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

3. *Inventory*

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Food Service Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Buildings | 20 - 50 |
| Vehicles | 10 |
| Equipment | 10 - 20 |

5. *Compensated absences*

School District employees are granted sick and vacation benefits in varying amounts based on length of service. Amounts of vested or accumulated vacation leave are accrued in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “termination leave” prior to retirement.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

6. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of the net assets. In accordance with GASB No. 34, the financial statements do not reflect future debt taxes, which will service the bonded long-term debt obligations.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

B. Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a government shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, the District incurred certain expenditures in excess of the amounts appropriated as follows:

| | <u>Final</u> <u>Budget</u> | <u>Actual</u> | <u>Over</u> <u>Budget</u> |
|---------------------|---|----------------------|--|
| General Fund: | | | |
| Instructional staff | \$ 743,641 | \$ 746,562 | \$ 2,921 |
| Capital outlay | 84,443 | 298,375 | 213,932 |
| Transfers out | 299,840 | 363,007 | 63,167 |
| Special Revenue: | | | |
| Food service | 1,154,207 | 1,159,011 | 4,804 |
| Athletics | 213,400 | 246,707 | 33,307 |
| Capital Projects: | | | |
| Sinking fund | 228,556 | 258,452 | 29,896 |
| Building and site | 49,000 | 52,177 | 3,177 |

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Asset follows:

Statement of Net Assets

| | |
|---------------------------|-----------|
| Cash and cash equivalents | \$ 39,587 |
| Investments | 5,452,006 |

Statement of Fiduciary Net Assets

| | |
|---------------------------|----------------------------|
| Agency Funds: | |
| Cash and cash equivalents | 80,536 |
| Investments | <u>14,694</u> |
| | <u>\$ 5,586,823</u> |

These balances are disclosed in the financial statements as follows:

| | |
|---|----------------------------|
| Bank deposits (checking accounts, savings accounts and CDs) | \$ 3,582,973 |
| Investments in governmental liquid asset funds | 2,003,000 |
| Cash on hand | <u>850</u> |
| | <u>\$ 5,586,823</u> |

Statutory Authority

Michigan law authorizes the District to deposit and invest in:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allow for all of these types of investments.

Deposits and investments

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following deposits and investments.

| <u>Deposit/Investment</u> | <u>Maturity</u> | <u>Fair Value</u> | <u>Rating</u> |
|---|-----------------|----------------------------|---------------|
| Bank deposits (checking/savings) | n/a | \$ 79,413 | n/a |
| Michigan Liquid Asset Fund | n/a | 5,471,353 | S&P – AAAM |
| Comerica Bank Trust Account | n/a | 12,630 | n/a |
| Bank One Money Market Investment Account | n/a | <u>22,577</u> | n/a |
| | | <u>\$ 5,585,973</u> | |

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the listing above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the listing above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$5,485,973 of the District's bank balance was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the listing above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

Receivables are comprised of the following:

| | Governmental Activities | Amount not expected to be collected in one year |
|---------------------|------------------------------------|--|
| Interest receivable | \$ 12,248 | \$ - |
| Taxes receivable | 454,502 | - |
| Accounts receivable | <u>4,545,805</u> | <u>696,635</u> |
| | <u>\$ 5,012,555</u> | <u>\$ 696,635</u> |

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2005 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|--------------------------|--------------------|----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 283,079 | \$ - | \$ - | \$ 283,079 |
| Construction in progress | - | 66,000 | - | 66,000 |
| | <u>283,079</u> | <u>66,000</u> | <u>-</u> | <u>349,079</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 6,716,374 | - | - | 6,716,374 |
| Building improvements | 1,486,378 | 454,283 | - | 1,940,661 |
| Site improvements | 470,448 | 10,845 | - | 481,293 |
| Buses | 284,250 | 159,447 | - | 443,697 |
| Vehicles (other than buses) | 124,725 | - | (14,413) | 110,312 |
| Computer equipment | 49,681 | 11,057 | - | 60,738 |
| Office equipment | 908,748 | 209,453 | - | 1,118,201 |
| | <u>10,040,604</u> | <u>845,085</u> | <u>(14,413)</u> | <u>10,871,276</u> |
| Accumulated depreciation: | | | | |
| Buildings | (5,035,001) | (95,827) | - | (5,130,828) |
| Building improvements | (80,188) | (85,676) | - | (165,864) |
| Site improvements | (197,910) | (23,793) | - | (221,703) |
| Buses | (248,489) | (27,800) | - | (276,289) |
| Vehicles (other than buses) | (115,545) | (6,120) | 14,413 | (107,252) |
| Computer equipment | (33,105) | (7,131) | - | (40,236) |
| Office equipment | (339,315) | (94,912) | - | (434,227) |
| | <u>(6,049,553)</u> | <u>(341,259)</u> | <u>14,413</u> | <u>(6,376,399)</u> |
| Capital assets being depreciated, net | <u>3,991,051</u> | <u>503,826</u> | <u>-</u> | <u>4,494,877</u> |
| Capital assets, net | <u>\$ 4,274,130</u> | <u>\$ 569,826</u> | <u>\$ -</u> | <u>\$ 4,843,956</u> |

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|----------------------------------|--------------------------|
| Unallocated depreciation expense | <u><u>\$ 341,259</u></u> |
|----------------------------------|--------------------------|

D. Payables

Payables are comprised of the following:

| | |
|------------------------------------|---|
| | <u>Governmental Activities</u> |
| Accounts payable | \$ 714,815 |
| Salaries payable | 1,615,064 |
| Accrued interest on long-term debt | <u>4,825</u> |
| | <u><u>\$ 2,334,704</u></u> |

E. Interfund receivables, payables and transfers

At June 30, 2005, interfund receivables and payables consisted of the following:

| | | |
|---------------------------------|-------------------------|-------------------------|
| | <u>Due From</u> | <u>Due To</u> |
| General Fund | \$ 23,511 | \$ - |
| Capital Projects – Sinking Fund | - | 5 |
| Nonmajor governmental funds | <u>13,423</u> | <u>36,929</u> |
| | <u><u>\$ 36,934</u></u> | <u><u>\$ 36,934</u></u> |

| | | |
|-----------------------------|-----------------------------|----------------------------|
| | <u>Transfers out</u> | <u>Transfers in</u> |
| General Fund | \$ 363,007 | \$ 10,757 |
| Nonmajor governmental funds | <u>-</u> | <u>352,250</u> |
| | <u><u>\$ 363,007</u></u> | <u><u>\$ 363,007</u></u> |

The District reports interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for the governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2005, the District transferred funds to subsidize the athletics and to provide funds for debt service.

F. Long-term debt

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District.

Long-term debt at June 30, 2005, consists of the following:

General obligation bonds

| | |
|--|------------|
| \$881,300 1998 Durant Bond Issue due in annual installments of \$42,658 to \$215,553 through May 15, 2013; interest at 5.50% * | \$ 563,033 |
|--|------------|

| | |
|---|---------|
| \$995,000 1995 Energy Conservation Bond due in annual installments of \$85,000 to \$95,000 through May 1, 2009; interest at 5.2% to 5.7%. | 370,000 |
|---|---------|

Installment purchase contract

| | |
|--|---------------|
| \$48,964 Band Uniform Installment Purchase Contract due in annual installments of \$9,793 through May 1, 2008; interest at 4.00% | <u>29,378</u> |
|--|---------------|

| | |
|-------------------------------|--------------------------|
| Total installment debt | <u>\$ 962,411</u> |
|-------------------------------|--------------------------|

* The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

Following is a summary of future debt service requirements:

| Year Ended June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-------------------------|------------------------|---------------------|
| 2006 | \$ 142,451 | \$ 41,011 | \$ 183,462 |
| 2007 | 144,472 | 33,677 | 178,149 |
| 2008 | 151,610 | 26,204 | 177,814 |
| 2009 | 144,047 | 18,257 | 162,304 |
| 2010 | 51,380 | 10,507 | 61,887 |
| 2011-2013 | 328,451 | 87,366 | 415,817 |
| Totals | \$ 962,411 | \$ 217,022 | \$ 1,179,433 |

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2005 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due within One Year</u> |
|--------------------------------|-------------------------------------|-------------------------|-------------------------|----------------------------------|---------------------------------------|
| Installment debt | | | | | |
| 1995 Energy Conservation Bonds | \$ 455,000 | \$ - | \$ (85,000) | \$ 370,000 | \$ 90,000 |
| 1998 Durant Bonds | 563,033 | - | - | 563,033 | 42,658 |
| Band Uniform Installment | | | | | |
| Purchase Contract | 39,171 | - | (9,793) | 29,378 | 9,793 |
| Subtotal installment debt | 1,057,204 | - | (94,793) | 962,411 | 142,451 |
| Other debt | | | | | |
| Compensated absences | 1,714,408 | 139,103 | (155,974) | 1,697,537 | 275,000 |
| Total long-term debt | \$ 2,771,612 | \$ 139,103 | \$ (250,767) | \$ 2,659,948 | \$ 417,451 |

Compensated absences are generally liquidated by the General Fund.

G. Short-term debt

During the year, the District financed certain of its operations through the issuance of property tax and State Aid Anticipation Notes. These notes were issued for terms of less than one year, and accordingly are recorded as liabilities of the respective funds from which they were issued.

Short term debt for the year ended June 30, 2005, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|-----------------|-------------------------------------|-------------------------|-------------------------|----------------------------------|
| State aid notes | \$ 2,500,000 | \$ 2,000,000 | \$ 2,500,000 | \$ 2,000,000 |

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

IV. OTHER INFORMATION

A. Risk management

Westwood Community School District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. For its general property and liability insurance coverage, the District is a participant in the Metropolitan Association for Improved School Legislation Joint Risk Management Trust (MAISL), a public entity risk pool for the benefit of 36 school districts located in the metropolitan area. The District pays an annual premium to MAISL for this liability coverage. MAISL is considered a self-sustaining risk pool that provides coverage for its members and obtains independent coverage for insured events in excess of its loss reserve.

For its workers' compensation insurance coverage, the District is a participant in the MAISL Workers' Compensation Fund, a public entity risk pool for the benefit of 12 school districts located in the area. The District pays an annual premium for coverage to MAISL, which in turn obtains independent coverage for insured events in excess of its loss reserve. Settled claims have not exceeded excess coverage for the past three years.

B. Defined benefit pension plan

Plan Description

The Westwood Community School District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The Westwood Community School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

The current rate is 14.87% of annual covered payroll. The contribution requirements of plan members and the Westwood Community School District are established by Michigan State statute and may be amended only by action of the State Legislature. The School District's contributions to MPSERS for the years ended June 30, 2005, 2004 and 2003 were \$1,859,779, \$1,556,952 and \$1,516,720, respectively, equal to the required contributions for each year.

Other Postemployment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage's for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

C. Capital Projects Fund

The Capital Projects Fund records capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

D. Commitments and Contingencies

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such grants could lead to reimbursement to the grantor agencies. However, District management does not believe such disallowances, if any, will be material to the financial position of the District.

The District has been named as a defendant in various litigation involving lawsuits pending and notices of intent to file suit. Management and legal counsel of the District expect no material losses in excess of insurances should an unfavorable outcome prevail. No provision for any loss has been made in the accompanying financial statements.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to the Financial Statements

E. Restatements

Beginning net assets of governmental activities were increased by \$352,520 to properly reflect the effect of the long-term receivable from the Durant Settlement.

* * * * *

SUPPLEMENTARY INFORMATION

Westwood Community School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

| <u>ASSETS</u> | <u>Special Revenue</u> | | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> |
|---|-------------------------------|-------------------------|----------------------------|---------------------------------|--------------------------|
| | <u>Food Service</u> | <u>Athletics</u> | | <u>Building and Site</u> | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 200 | \$ - | \$ - | \$ - | \$ 200 |
| Investments | 24,862 | - | - | 101,106 | 125,968 |
| Due from other governments | 33,339 | - | 563,033 | - | 596,372 |
| Due from other funds | 7,860 | 5,563 | - | - | 13,423 |
| Inventory | 9,362 | - | - | - | 9,362 |
| <u>TOTAL ASSETS</u> | <u>\$ 75,623</u> | <u>\$ 5,563</u> | <u>\$ 563,033</u> | <u>\$ 101,106</u> | <u>\$ 745,325</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 1,576 | \$ 2,695 | \$ - | \$ 460 | \$ 4,731 |
| Accrued payroll and related liabilities | 16,696 | 2,868 | - | - | 19,564 |
| Due to other funds | - | - | - | 36,929 | 36,929 |
| Deferred revenue | - | - | 563,033 | - | 563,033 |
| Total liabilities | 18,272 | 5,563 | 563,033 | 37,389 | 624,257 |
| Fund balances | | | | | |
| Reserved for inventory | 9,362 | - | - | - | 9,362 |
| Unreserved, undesignated | 47,989 | - | - | 63,717 | 111,706 |
| Total fund balances | 57,351 | - | - | 63,717 | 121,068 |
| <u>TOTAL LIABILITIES AND FUND BALANCES</u> | <u>\$ 75,623</u> | <u>\$ 5,563</u> | <u>\$ 563,033</u> | <u>\$ 101,106</u> | <u>\$ 745,325</u> |

Westwood Community School District
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

| | <u>Special Revenue</u> | | | <u>Capital Projects</u> | |
|---------------------------------------|------------------------|------------------|---------------------|--------------------------|-------------------|
| | <u>Food Service</u> | <u>Athletics</u> | <u>Debt Service</u> | <u>Building and Site</u> | <u>Total</u> |
| Revenue | | | | | |
| Local sources: | | | | | |
| Food sales | \$ 111,923 | \$ - | \$ - | \$ - | \$ 111,923 |
| Athletic admissions | - | 16,324 | - | - | 16,324 |
| Interest | 1,389 | - | - | 3,779 | 5,168 |
| Other local revenue | 217,944 | - | - | - | 217,944 |
| State sources | 33,743 | - | - | - | 33,743 |
| Federal sources | 693,912 | - | - | - | 693,912 |
| | | | | | |
| Total revenue | <u>1,058,911</u> | <u>16,324</u> | <u>-</u> | <u>3,779</u> | <u>1,079,014</u> |
| Expenditures | | | | | |
| Food service activities | 1,159,011 | - | - | - | 1,159,011 |
| Athletic programs | - | 246,707 | - | - | 246,707 |
| Debt service: | | | | | |
| Principal | - | - | 94,793 | - | 94,793 |
| Interest | - | - | 27,074 | - | 27,074 |
| Capital outlay | - | - | - | 52,177 | 52,177 |
| | | | | | |
| Total expenditures | <u>1,159,011</u> | <u>246,707</u> | <u>121,867</u> | <u>52,177</u> | <u>1,579,762</u> |
| | | | | | |
| Revenue over (under) expenditures | (100,100) | (230,383) | (121,867) | (48,398) | (500,748) |
| Other financing sources (uses) | | | | | |
| Transfers in | - | 230,383 | 121,867 | - | 352,250 |
| | | | | | |
| Net change in fund balances | (100,100) | - | - | (48,398) | (148,498) |
| | | | | | |
| Fund balances, beginning of year | <u>157,451</u> | <u>-</u> | <u>-</u> | <u>112,115</u> | <u>269,566</u> |
| | | | | | |
| Fund balances, end of year | <u>\$ 57,351</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 63,717</u> | <u>\$ 121,068</u> |

SINGLE AUDIT

Westwood Community School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

| Federal/Pass-through Grantor Program Title | CFDA Number | Approved Grant Award Amount | Beginning Accrued (Deferred) Revenue | (Memo Only) Prior Year Expenditures |
|---|------------------------|--|---|--|
| <u>U.S. Department of Agriculture</u> | | | | |
| Direct program: | | | | |
| USDA Donated Food Commodities: | | | | |
| Entitlement Commodities | 10.550 | \$ 39,105 | \$ - | \$ - |
| Bonus Commodities | 10.550 | 7,877 | - | - |
| Total donated food commodities | | <u>46,982</u> | <u>-</u> | <u>-</u> |
| Passed-through Michigan Department of Education: | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Program | | | | |
| Project #1970 | 10.553 | 231,756 | 6,408 | - |
| National School Lunch Program | | | | |
| Project #1950 | 10.555 | 53,905 | 1,303 | - |
| Project #1960 | 10.555 | 376,849 | 7,869 | - |
| Total Child Nutrition Cluster | | <u>662,510</u> | <u>15,580</u> | <u>-</u> |
| Total U.S. Department of Agriculture | | <u>709,492</u> | <u>15,580</u> | <u>-</u> |
| <u>U.S. Department of Education</u> | | | | |
| Passed-through the Michigan Department of Education: | | | | |
| Title I, Part A - Improving Basic Programs | | | | |
| Project 031530-0304-Carryover | 84.010 | 122,751 | 122,751 | 122,751 |
| Project 041530-0304 | 84.010 | 774,724 | 578,913 | 578,913 |
| Project 041530-0405-Carryover | 84.010 | 104,325 | - | - |
| Project 051530-04053 | 84.010 | 695,701 | - | - |
| Total Title I, Part A | | <u>1,697,501</u> | <u>701,664</u> | <u>701,664</u> |
| Title V, Part A - Innovative Programs | | | | |
| Project 040250-0304 | 84.298 | 26,596 | - | - |
| Project 050250-0405 | 84.298 | 29,897 | - | - |
| Total Title V, Part A | | <u>56,493</u> | <u>-</u> | <u>-</u> |
| Title II, Part D - Enhancing Education through Technology | | | | |
| Project 044290-0405-Carryover | 84.318 | 18,763 | - | - |
| Project 054290-0405 | 84.318 | 17,681 | - | - |
| Total Title II, Part D | | <u>36,444</u> | <u>-</u> | <u>-</u> |

| Current Year | | Current Year | | Ending |
|--------------|-----------|--------------|---------|------------|
| Receipts | | Expenditures | | Accrued |
| (Cash Basis) | | | | (Deferred) |
| | | | | Revenue |
| | | | | |
| \$ | 39,105 | \$ | 39,105 | \$ - |
| | 7,877 | | 7,877 | - |
| | 46,982 | | 46,982 | - |
| | | | | |
| | 231,756 | | 225,348 | - |
| | | | | |
| | 53,905 | | 52,602 | - |
| | 376,849 | | 368,980 | - |
| | 662,510 | | 646,930 | - |
| | 709,492 | | 693,912 | - |
| | | | | |
| | 122,751 | | - | - |
| | 670,398 | | 91,485 | - |
| | 104,325 | | 104,325 | - |
| | 475,000 | | 611,644 | 136,644 |
| | 1,372,474 | | 807,454 | 136,644 |
| | | | | |
| | 26,596 | | 26,596 | - |
| | - | | 28,897 | 28,897 |
| | 26,596 | | 55,493 | 28,897 |
| | | | | |
| | - | | 15,044 | 15,044 |
| | - | | 9,580 | 9,580 |
| | - | | 24,624 | 24,624 |

continued...

Westwood Community School District
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2005

| Federal/Pass-through Grantor Program Title | CFDA Number | Approved Grant Award Amount | Beginning Accrued (Deferred) Revenue | (Memo Only) Prior Year Expenditures |
|--|------------------------|--|---|--|
| <u>U.S. Department of Education (continued)</u> | | | | |
| Passed-through the Michigan Department of Education (concluded): | | | | |
| Title II, Part A - Teacher and Principal Training and Recruiting | | | | |
| Project 030520-0203-Carryover | 84.367 | \$ 61,214 | \$ 61,214 | \$ 61,214 |
| Project 040520-0304 | 84.367 | 193,431 | 148,764 | 148,764 |
| Project 040520-0405-Carryover | 84.367 | 44,251 | - | - |
| Project 050520-0405 | 84.367 | 192,590 | - | - |
| Total Title II, Part A | | 491,486 | 209,978 | 209,978 |
| Total passed-through the Michigan Department of Education | | 2,281,924 | 911,642 | 911,642 |
| Passed-through Wayne County Regional Educational Service Agency: | | | | |
| Special Education Cluster: | | | | |
| 2003 Flowthrough 0204-50 | 84.027A | 451,858 | 45,258 | 451,858 |
| 2004 Flowthrough 0304-1636 | 84.027A | 526,320 | (6,978) | 426,022 |
| 2004 Flowthrough 03045-1636A | 84.027A | 7,740 | 774 | 7,740 |
| 2005 Flowthrough 050450 | 84.027A | 642,292 | - | - |
| 2003-2004 Special Ed. Prof. Development | 84.027A | 6,000 | 6,000 | 6,000 |
| 2004-2005 Special Ed. Prof. Development | 84.027A | 6,000 | - | - |
| 2004-2005 Positive Behavior Support Grant | 84.027 | 5,000 | - | - |
| 2004 Preschool 0304-1637 | 84.173A | 14,343 | 1,434 | 14,343 |
| 2005 Preschool 050460-0405 | 84.173A | 17,075 | - | - |
| Total Special Education Cluster | | 1,676,628 | 46,488 | 905,963 |
| Drug Free Schools & Communities: | | | | |
| Project 02-03 | 84.186 | 14,550 | (104) | 14,446 |
| Project 03-04 | 84.186 | 13,650 | (13,650) | - |
| Project 04-05 | 84.186 | 12,500 | - | - |
| Total Drug Free Schools & Communities | | 40,700 | (13,754) | 14,446 |
| Total passed-through Wayne County Regional Educational Service Agency | | 1,717,328 | 32,734 | 920,409 |

| Current Year Receipts (Cash Basis) | Current Year Expenditures | Ending Accrued (Deferred) Revenue |
|---|--------------------------------------|--|
| \$ 61,214 | \$ - | \$ - |
| 149,181 | 417 | - |
| 44,251 | 44,251 | - |
| - | 128,738 | 128,738 |
| 254,646 | 173,406 | 128,738 |
| 1,653,716 | 1,060,977 | 318,903 |
| 45,258 | - | - |
| 93,320 | 100,298 | - |
| 774 | - | - |
| 528,000 | 473,399 | (54,601) |
| 6,000 | - | - |
| - | 6,000 | 6,000 |
| - | 4,760 | 4,760 |
| 1,434 | - | - |
| 15,368 | 17,075 | 1,707 |
| 690,154 | 601,532 | (42,134) |
| - | 104 | - |
| - | 13,650 | - |
| 12,500 | 12,500 | - |
| 12,500 | 26,254 | - |
| 702,654 | 627,786 | (42,134) |

continued...

Westwood Community School District
Schedule of Expenditures of Federal Awards (concluded)
For the Year Ended June 30, 2005

| Federal/Pass-through Grantor Program Title | CFDA Number | Approved Grant Award Amount | Beginning Accrued (Deferred) Revenue | (Memo Only) Prior Year Expenditures |
|--|------------------------|--|---|--|
| <u>U.S. Department of Education (concluded)</u> | | | | |
| Passed-through the Monroe Intermediate School District: | | | | |
| Vocational Education Tech. Prep. | | | | |
| 2003/2004 Grant | 84.048 | \$ 3,956 | \$ 3,956 | \$ 3,956 |
| 2004/2005 Grant | 84.048 | 3,744 | - | - |
| Total passed-through the Monroe Intermediate School District | | 7,700 | 3,956 | 3,956 |
| Passed-through Dearborn Heights # 7: | | | | |
| Carl D. Perkins | 84.048A | 4,069 | - | - |
| Passed-through Lincoln Park: | | | | |
| 2004-2005 Safe & Drug Free Schools, Emergency Planning | 84.184E | 804 | - | - |
| Passed-through Starfish: | | | | |
| Title IV, Part B: | | | | |
| 21st Century Community Learning Center-03/04 | 84.287 | 21,393 | 1,140 | 21,393 |
| 21st Century Community Learning Center-04/05 | 84.287 | 131,860 | - | - |
| Total passed-through Starfish | | 153,253 | 1,140 | 21,393 |
| Total U.S. Department of Education | | 4,165,078 | 949,472 | 1,857,400 |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Passed-through Wayne County Regional Educational Service Agency: | | | | |
| Medicaid Outreach | 93.778 | 106,530 | - | - |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Passed-through Lincoln Park: | | | | |
| 2003-2004 Homeland Security | 97.004 | 1,000 | (574) | 426 |
| Total expenditures of federal awards | | \$ 4,982,100 | \$ 964,478 | \$ 1,857,826 |

1. Expenditures in this schedule are in agreement with amounts reported as federal revenue in the financial statements and the financial reports submitted to the MDE.
2. The amounts reported on the R7120 (Grants Section Auditor's Report) reconcile with this schedule.
3. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities and are reported in the current year receipts column.
4. Expenditures include spoilage or pilferage.

| Current Year Receipts (Cash Basis) | Current Year Expenditures | Ending Accrued (Deferred) Revenue |
|---|--------------------------------------|--|
| \$ 3,956 | \$ - | \$ - |
| 1,067 | 2,604 | 1,537 |
| 5,023 | 2,604 | 1,537 |
| 4,069 | 3,837 | (232) |
| 170 | 804 | 634 |
| 1,140 | - | - |
| 25,292 | 81,860 | 56,568 |
| 26,432 | 81,860 | 56,568 |
| 2,392,064 | 1,777,868 | 335,276 |
| 106,530 | 106,530 | - |
| - | 465 | (109) |
| \$ 3,208,086 | \$ 2,578,775 | \$ 335,167 |



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

August 23, 2005

Board of Education
Westwood Community School District
Westwood, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **WESTWOOD COMMUNITY SCHOOL DISTRICT**, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Westwood Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Westwood Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of Westwood Community School District in a separate letter dated August 23, 2005.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohorn". The signature is written in a cursive style with a large, stylized 'L' at the beginning.



REHMANN ROBSON

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

August 23, 2005

Board of Education
Westwood Community School District
Westwood, Michigan

Compliance

We have audited the compliance of **WESTWOOD COMMUNITY SCHOOL DISTRICT** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Westwood Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Westwood Community School District's management. Our responsibility is to express an opinion on Westwood Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Westwood Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Westwood Community School District's compliance with those requirements.

In our opinion, Westwood Community School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Westwood Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Westwood Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

WESTWOOD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses?

_____ yes X none reported

Noncompliance material to financial statements
noted?

_____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses?

_____ yes X none reported

Type of auditors' report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)?

_____ yes X no

WESTWOOD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED JUNE 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.550 | USDA Donated Food Commodities |
| 10.553 and 10.555 | Child Nutrition Cluster |

Dollar threshold used to distinguish
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



August 23, 2005

To the Board of Education of the
Westwood Community School District
Dearborn Heights, Michigan

We have audited the financial statements of Westwood Community School District for the year ended June 30, 2005, and have issued our report thereon dated August 23, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated August 15, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Westwood Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Westwood Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Westwood Community School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Westwood Community School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Westwood Community School District's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Westwood Community School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Westwood Community School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Westwood Community School District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Westwood Community School District, either individually or in the aggregate, indicate matters that could have a significant effect on Westwood Community School District's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Westwood Community School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter is intended for the use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.